

**Statement for the Record**

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**Secretary**

**United States Department of Homeland Security**

**Before the**

**United States House of Representatives  
Committee on Homeland Security**

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Mr. Chairman, Congressman Thompson, and Members of the Committee:

Before beginning to outline our FY 2007 budget request, I want to thank you for the strong support you showed for the Department in the two full budget cycles since it was fully established in March 2003. This is my first full budget cycle and I am honored and pleased to appear before the Committee to present President Bush's FY 2007 budget for the Department of Homeland Security (DHS).

### **Our Key Accomplishments**

As DHS approaches its third anniversary on March 1, 2006, creating one national integrated strategy to fight the war on terror, through awareness, prevention, protection, response, and recovery remains the key focus of its vision and mission. Since inception, the Department has steadily progressed in its efforts to vigorously protect America's homeland. Since 2001, the Administration:

- Has increased annual spending on Government-wide non-defense homeland security by 350 percent, more than tripling spending devoted to homeland security;
- Created the Department of Homeland Security by merging 22 separate agencies and programs into a cohesive department;
- Restructured the agencies that handle immigration and border security issues. Customs and Border Protection (CBP) has Port of Entry inspectors and Border Patrol agents along the border. Immigration and Customs Enforcement (ICE) enforces immigration laws and detains those aliens here illegally. U.S. Citizenship and Immigration Services (USCIS) administers a wide variety of immigration benefits and services within the United States;
- Established the Transportation Security Administration (TSA) to improve aviation security and other modes of transportation security nationwide. TSA hired a screener workforce and deployed sufficient technology to electronically screen 100 percent of passenger and checked baggage;
- Created a Domestic Nuclear Detection Office (DNDO) to detect, identify, and track down the origins of nuclear and radiological materials; and
- Provided the Department nearly \$18 billion for State, local, and tribal governments to enhance their preparedness for a range of hazards, including \$14 billion for terrorism and other catastrophic events.

When I arrived at the Department in 2005, I initiated a Second Stage Review (2SR) to assess whether DHS' policies, operations, and organizational structure were properly aligned to maximize mission performance. The implementation of 2SR instituted a fundamental reform of policies and procedures critical to achieving the mission of the Department. The Department also conquered many unique challenges, making significant strides protecting vital infrastructure and

assets; preventing security breaches; ensuring safe travel and trade across our borders; protecting privacy and civil liberties; and expanding critical partnerships at every level.

In the last year, we have made great strides in the area of prevention and preparedness. Our key accomplishments include:

***TSA Moves to a Risk-Based, Threat-Managed Security Approach.*** Employing TSA-certified explosives detection canine teams, piloting behavioral pattern recognition analysis at 10 airports, and through a nation-wide modification of the prohibited items list, TSA has increased its ability to identify and prevent terrorist threats to the nation and enhance aviation security.

***Largest Terrorist Attack Drill in History Performed.*** DHS conducted the third Top Officials (TOPOFF) exercise since it was established. The week-long exercise, which included international participation from Canada and the United Kingdom, was the largest full-scale terrorist simulated exercise in the nation's history. Collectively, the Department, through its Office of Grants and Training, has conducted more than 400 exercises at the national, state, and local level.

***A Joint Strategy for More Effective and Secure Travel is Being Implemented.*** DHS and the Department of State launched the Rice/Chertoff initiatives in 2005 to improve traveler facilitation and security. The three-pronged effort will strengthen security screening, produce secure travel documents, and facilitate the processing of legitimate international visitors. Key elements of this effort include efforts to make visa processing more efficient, creation of a one-stop redress process for travelers, introduction of biometrically enhanced passports – or “e-Passports”, better information sharing between federal agencies, and a new frequent travel card for use by U.S. citizens at the land ports called “PASS” (People, Access, Security, Service). Each action will ensure that the quality of the travel experience is enhanced, while increasing security.

***Over \$3 Billion Awarded to State and Local Governments.*** DHS awarded more than \$3 billion in grants, training, and technical assistance to state and local governments to support various prevention, protection and response initiatives.

***Standard First Responder Training Developed.*** DHS established a National Incident Management System (NIMS) standard curriculum to ensure first responder training is widely available and consistent among all training providers. More than 725,000 first responders completed NIMS training nationwide.

***Counterterrorism Training.*** DHS provided counterterrorism training to more than 1.2 million emergency response personnel from across the country on a range of incident response issues, including incident management, unified command, and public works protection/response, and training on weapons of mass destruction.

***Secure Data Sharing Network Established.*** DHS deployed the first phase of the Homeland Secure Data Network (HSDN) to 56 governmental sites, providing a unified system and program that enables the sharing and protection of secret-level data between our federal partners.

***Sharing Intelligence Information.*** The Office of Intelligence and Analysis provided state and local governments and the private sector with more than 1,260 intelligence information products on threat information and suggested protective measures.

***Secret Service Operation Taps Network to Arrest 28 Globally.*** U.S. Secret Service conducted “Operation Firewall,” in which the Secret Service became the first agency ever to execute a Title III wire tap on an entire computer network. This global operation resulted in 28 arrests in eight states and six foreign countries. These suspects stole nearly 1.7 million credit card numbers.

***Community and Individual Preparedness.*** The Department’s *Ready* campaign, one of the most successful campaigns in the Ad Council history, topped \$465 million in cumulative donated media support and more than 1.9 billion web site hits. The Department’s Citizen Corps program, which promotes grassroots community preparedness, expanded its service to more than 69 percent of the total population to ensure that citizens are prepared and capable of handling disasters or threats of all kinds.

The hurricanes last fall stretched our nation’s resources and forced us to reexamine our processes. We still however, saw our first responders and relief personnel do remarkable things to assist our fellow citizens.

***Over 33,000 Rescued by U.S. Coast Guard.*** In the wake of Hurricanes Katrina and Rita, the Coast Guard rescued over 33,000 people in search and rescue operations. Coast Guard men and women employed their Continuity of Operations Plans and demonstrated deep commitment to the missions of search and rescue, protection of natural resources, and restoration of a safe, efficient marine transportation system.

***More than 23,000 Victims Airlifted from New Orleans Airport.*** More than 700 transportation security officers and federal air marshals helped evacuate more than 23,000 victims at Louis Armstrong New Orleans International Airport.

***\$5.7 Billion in Federal Aid Distributed.*** FEMA distributed over \$5.7 billion in federal aid to more than 1.4 million households to help pay for housing assistance, food, clothing, home repair and other essentials.

***\$12 Billion in Claims Distributed.*** FEMA’s National Flood Insurance program paid over \$12 billion in claims from Hurricanes Katrina, Rita, and Wilma, with an estimated \$10 billion in additional claims to be paid over the next few months.

In the past year, we have also strengthened our borders and interior enforcement of our immigration laws, expanded partnerships with our neighbors, and increased our use of emerging technologies to assist our efforts.

***Secure Border Initiative Success.*** In support of a comprehensive strategy to control the border and enforce immigration laws, DHS adopted a policy to replace the practice of catching and releasing aliens with a “Catch and Return” policy. Expedited Removal (ER) has been expanded along our entire land border as well as the number of countries with nationals subject to ER.

DHS adopted a goal to cut ER detention time in half to speed alien removals, and the frequency of deportation flights has increased. Litigation barriers preventing San Diego fence completion have been removed. A process is also well underway to seek and select a contract integrator to implement a comprehensive border protection program plan using technology, staff, and other assets.

***Successful Counter Drug Operations.*** Efforts by CBP and ICE to secure the nation's borders have yielded significant positive results in stopping the flow of illegal drugs into the United States. In the most recently completed fiscal year, CBP reported seizing nearly 273,000 lbs of cocaine and more than 1.9 million pounds of marijuana. In addition, United States Coast Guard and Customs Air and Marine Operations' efforts to support counter drug operations in the transit zone played a key role in the seizure of a record 232 metric tons of cocaine by the United States.

***Arizona Border Control Initiative Bolstered Resources in Tucson Corridor.*** The second phase of this successful initiative included an additional 534 Border Patrol agents permanently assigned to the Arizona border, a 25 percent increase. These agents were supplemented by 200 agents and 23 aircraft temporarily assigned to the Tucson sector. The initiative coupled with Operation ICE Storm, a human smuggling initiative, resulted in more than 350 smugglers prosecuted in total, millions in illicit profits seized and a significant decrease in homicides according to local authorities.

***Security and Prosperity Partnership Creates Common Security Approach.*** The United States, Canada and Mexico entered into this trilateral partnership to establish common approaches to emergency response, improving aviation, maritime, and border security, enhancing intelligence sharing, and facilitating the legitimate flow of people and cargo at our shared borders.

***Operation Community Shield Nets 1,600 Gang Members.*** ICE introduced this unprecedented partnership with law enforcement at all levels around the country to combat dangerous criminal gangs like MS-13. In less than a year, ICE agents arrested more than 1,600 illegal immigrant gang members, who now face criminal prosecutions or are in removal proceedings.

***Immigration Processing Backlog Cut by 2.8 million.*** USCIS reduced the backlog of applications for immigration services and benefits from 3.8 million cases in January 2004 to fewer than one million in December 2005.

***US-VISIT Biometric Entry System Expanded.*** US-VISIT implemented the biometric entry portion of the US-VISIT system at 115 airports, 14 seaports and 154 land ports of entry. As of December 31, 2005, US-VISIT processed more than 44 million foreign visitors and detected 950 individuals with a criminal history or immigration violations.

***Passport Requirements Strengthened.*** As part of a multi-layered approach to increasing the security of our citizens and visitors by helping to ensure the integrity of their travel documents, DHS imposed requirements establishing that all Visa Waiver Program travelers must have a machine-readable passport to enter the United States. Visa Waiver Program countries are now also required to produce new passports with digital photographs.

***Global Customs Security Standards Adopted.*** CBP led the World Customs Organization to unanimously adopt a framework of standards to secure and facilitate global trade. CBP's Container Security Initiative (CSI), which identifies and screens high-risk maritime cargo containers before they are loaded on vessels to the U.S., is currently operational at 42 foreign ports worldwide. Approximately 75 percent of cargo containers headed to the U.S. originate in or are shipped from CSI ports.

### **Continuing Our Progress in FY 2007**

In accordance with the premise of 2SR and to build on these accomplishments, the FY 2007 budget proposal for the Department is driven by a mission and risk-based approach to allocating the Department's resources, requesting \$42.7 billion in funding, an increase of 6 percent over FY 2006. The Department's FY 2007 gross discretionary budget is \$35.4 billion, also an increase of 6 percent over FY 2006. Gross discretionary funding includes appropriated budget authority and discretionary fee collections such as funding for the Federal Protective Service; aviation security passenger and carrier fees; and premium collections. It does not include funding such as Coast Guard's retirement pay accounts and fees paid for immigration benefits. The Department's FY 2007 net discretionary budget is \$30.9 billion, an increase of 1% over FY 2006.

Central to the Department's budget are five themes to ensure that all resource allocations correspond with its integral mission and vision. Key enhancements in the Budget for these five areas will allow the Department to execute the initiatives of the Administration and effectively secure our nation.

### **INCREASE OVERALL PREPAREDNESS, PARTICULARLY FOR CATASTROPHIC EVENTS EITHER NATURAL OR MANMADE AND STRENGTHEN FEMA**

Preparedness addresses the Department's full range of responsibilities to prevent, protect against, and respond to acts of terror or other disasters.

The Budget includes an increase of \$294.6 million for the Targeted Capability Grants, for a total of \$1.4 billion. This builds upon the \$5.5 billion already in the grant pipeline to assist our states and localities in increasing their preparedness and furthers the Department's National Preparedness Goals. This funding includes an \$80.65 million increase for Urban Area Security Initiative (UASI) to provide a second layer of protection for urban areas based on risk. It also includes a \$213.9 million increase over comparable programs, for a total of \$600 million, for the Targeted Infrastructure Protection Program (TIPP). This will provide states with maximum flexibility to target resources to protect our Nation's ports, transit facilities, chemical facilities, and other critical infrastructure.

The Budget also includes \$50 million dollars National Preparedness Integration Program (NPIP) as a new initiative in the Preparedness Directorate. NPIP will improve preparedness by executing Medical Preparedness Coordination, Catastrophic Planning, Emergency Communications Improvements, and Command and Control Alignment.

This budget enhances our ability to respond to and recover from disasters. Indeed, last year's Gulf Coast hurricanes demonstrated the need to strengthen FEMA's planning and response

capabilities. While funding was increased for these core activities in 2005 and 2006, the FY 2007 budget proposes a more significant investment to further strengthen FEMA. FEMA's budget represents a 10 percent increase over the 2006 fiscal year, including \$44.7M to strengthen support functions. We will add resources to critical areas such as procurement, information technology, and planning and amounts.

The Budget includes a \$29 million increase and 92 FTE to support FEMA's Strengthen Operational Capability initiative and reinforce its essential support functions within its programs of Readiness, Mitigation, Response, Recovery, and National Security. This program increase will allow FEMA to fill critical positions, and upgrade capital infrastructure and information technology support services.

A \$5 million increase in the FEMA Procurement Staff supports the Department's initiative to strengthen procurement capability across the board. These additional 41 FTE will enhance FEMA's ability to effectively deliver disaster response and recovery services by efficiently and properly processing procurement requests during both routine and extraordinary operating periods.

An additional 40 FTE and \$10.7 million is requested for FEMA financial and acquisition management. The funding requested will build on the positions provided in the FY 2006 supplemental appropriation to operate the Gulf Region Acquisition Center to support the billions of dollars in contracts necessary to meet the unprecedented recovery needs of Hurricane Katrina and to bolster the FEMA's financial management capabilities to meet the demands of current and future catastrophic disasters.

An additional \$5.3 million is requested for National Response Plan (NRP) Support to help FEMA coordinate the response to all types and magnitudes of threats or hazards. It will allow FEMA to support shortened response times and provide more effective assistance during incidents of national significance.

The FY 2007 Budget seeks an increase of \$100 million and 40 FTE for the pre-disaster mitigation grant program. This program is designed to reduce the risk to populations, structures, and critical infrastructure from natural disasters. These funds will provide for the protection of: over 600 additional properties from flood damage through acquisition, elevation, relocation, and/or flood proofing; 250 additional critical facilities from flood damage through drainage, infrastructure, and utilities projects; 240 additional properties from hurricane wind damage; 92 additional storm shelters to save lives from tornadoes; and 154 additional critical public facilities against seismic damage.

Finally, an additional \$5 million is proposed for upgrade of the Emergency Alert System (EAS). The EAS, which uses commercial radio and television broadcast services to send Presidential messages, provides a readily available and reliable means of emergency communications with the American people when catastrophic events occur and other national communications resources have been damaged or compromised. Building on the supplemental funding provided in FY 2006, this funding will be used to improve system coverage, reliability, survivability, and security by providing a two-way, national-level EAS satellite backbone/path that will effectively link all Federal, State, and U. S. Territory Emergency Operations Centers (EOCs).

The budget also proposes:

- An increase of \$60.5 million in funding for the Coast Guard's National Capital Region Air Defense (NCRAD) program. This funding is needed to provide an air intercept response to potential threats in the National Capital Region airspace, helping to protect Washington, DC, from airborne attack.
- A total of \$17.7 million in funding to support the Radiological and Nuclear Attribution and Forensics initiative. The request will enable the Department to combine information on potential capabilities of terrorist organizations to develop and deploy threat agents with laboratory-based forensics techniques that determine the source of any nuclear and radiological materials or devices.
- An increase of \$3 million for the Office of the Chief Medical Officer to further strengthen cutting-edge science, technology, and intelligence within the Department's policy-making process. This request, more than doubling resources for this office, will be used to develop policy driven initiatives to ensure that the Nation and its critical infrastructures are medically prepared for catastrophic events.
- An increase of \$10 million to establish an office to oversee chemical site security. DHS will classify facilities into risk-based tiers, establish security standards for each tier, and ensure strong safeguards are in place to protect the public disclosure of any sensitive information gathered by the office.

## **STRENGTHEN BORDER SECURITY AND INTERIOR ENFORCEMENT AND REFORM IMMIGRATION PROCESSES**

### **Securing our Borders**

One of the key elements in fulfilling the Department's mission is securing the border from terrorist threats and the flow of illegal migration. Under the Secure Border Initiative (SBI) DHS will focus on controlling the border, building a robust interior enforcement program, and establishing a Temporary Worker Program. SBI, a performance-driven, department-wide enterprise will make dramatic changes in the border security system. It will cover every facet of how we sanction, manage, adjudicate, and remove persons caught crossing the border; deter illegal migration overall; manage immigration violators currently in the country; and interact with States and localities at the front lines of immigration problems.

Funding dedicated to SBI efforts facilitates a complete program encompassing many administrative, legal, and regulatory actions. Substantial resource enhancements provided in 2005 and 2006 will pave the way for an effective SBI program, and 2007 will be a turning point towards meeting long-term border security objectives.

Among the key investments in the President's Budget for SBI is \$458.9 million to increase the Border Patrol Agent workforce by 1,500 agents, bringing the total of new agents added since 2005 to 3,000 and the overall total number of agents to nearly 14,000. This increases the size of



our Border Patrol Agent workforce to 42% above the level prior to the September 11<sup>th</sup> attacks.

To enhance our ability to protect the Nation's borders, the Budget includes \$100 million for border technology to improve electronic surveillance and operational response. In 2006, DHS will solicit and award a contract to complete the transition from the current, limited-scope technology plan to one that addresses the Department's comprehensive and integrated technological needs to secure our borders. Funding requested in the 2007 President's Budget will provide significant procurement investments needed to begin an aggressive deployment plan.

To fund the continued construction of the San Diego Border Infrastructure System (BIS), we are requesting \$30 million. The project includes multiple fences and patrol roads enabling quick enforcement response and will give the United States full operational control of the most urbanized corridor of our border with Mexico.

The Tactical Infrastructure Western Arizona (TIWAZ) is a critical multi-year project that will deploy approximately 84 miles of vehicle barriers and improve 150 miles of access and maintenance roads. The Budget includes \$51 million for the deployment of this tactical infrastructure in Arizona which will enable the construction of 39 miles of permanent vehicle barriers.

To support the detention and removal of at least another 100,000 apprehended persons annually, the budget includes over \$400 million for an additional 6,700 detention beds and associated staffing and other expenses. This would bring the total number of beds to 27,500 in 2007. A key element of SBI is replacing a "catch and release" protocol for captured aliens with a "catch and return" process, requiring a substantial expansion of bed space. In addition, new bed space will be used to return criminal aliens upon release from State and local prisons, and address the problem of alien absconders defying orders of removal.

The budget also includes \$41.7 million for ICE worksite enforcement, to add 206 agents and support staff for this effort. A strong worksite enforcement program that continues to expand will send a strong deterrence message to employers who knowingly hire illegal workers; reduce economic incentive for illegal immigration; and help restore the integrity of employment laws.

An additional \$60 million is requested for ICE Fugitive Operations apprehension teams, adding a total of 18 teams, to a planned level of 70 teams nationwide. In addition to shoring up our borders and improving workplace oversight, the Department will continue to increase efforts to catch the estimated 450,000 absconders around the country – a level that is growing every year.

Outside of core SBI programs, the request level includes funding for other vital border security programs to include:

- An increase of \$62.9 million over FY 2006 for total funding of \$399.5 million is requested for US-VISIT, a critical element in the screening and border security system towards ensuring better border security in a post-September 11<sup>th</sup> environment. Included

in the US-VISIT initiative is \$60 million in new resources to improve connection of information between DHS IDENT system and DOJ IAFIS fingerprint system.

- CSI & C-TPAT. The request continues to support the Container Security Initiative (CSI) and the Customs Trade Partnership Against Terrorism (C-TPAT), which are critical in the prevention and deterrence of Weapons of Mass Destruction (WMD) and other dangerous or illegal material importation. The Budget requests \$139 million for CSI to pre-screen inbound cargo at over forty foreign ports and \$55 million for C-TPAT to review and improve the security of partner organizations throughout the cargo supply-chain.

### **Reform and Modernization of Immigration Management**

As Congress and the Administration collaborate to reform the immigration system in addition to improving border security, it is critical that the Department is ready to effectively manage any reform and implement a sustainable immigration management system.

Among other things, the Budget includes resource initiatives for worksite enforcement, fugitive operations, employment verification, and U.S. Citizenship and Immigration Services (USCIS) business transformation efforts.

The request includes \$135 million for the operation and expansion of the USCIS Systematic Verification for Entitlements (SAVE) program which provides immigration verification services to State Departments of Motor Vehicles and other Federal and State agencies, and to expand and enhance the current Basic Pilot program to be ready to support a mandatory national electronic employment authorization verification system. The current Basic Pilot program is a voluntary electronic verification program enabling an employer to confirm the employment eligibility of newly hired employees.

The President's Budget seeks a total of \$112 million in fee and discretionary resources within USCIS to accelerate comprehensive reform and automation of existing business processes, including the modernization of critically needed information technology and actions to sustain improvements achieved in reducing the immigration processing backlog.

Finally, as USCIS transforms its business processes, redesigns its forms, and improves service delivery and value to its customers, the agency will reform its fee structure to ensure the recovery of operational costs in line with Federal fee guidelines. Currently, application fees are not optimally aligned with the cost of each application, and improvements must be made for the long term to more effectively link regular and premium fees to specific service levels. This effort becomes even more important as USCIS operations are automated, forms are reduced and simplified, and USCIS prepares to take on substantial new activities including a Temporary Worker Program. The Department will continue to assess business model options for implementation of the TWP as consideration of the proposal moves forward in the Congress.

**IMPROVE MARITIME SECURITY AND CREATE BETTER TRANSPORTATION SECURITY SYSTEMS TO MOVE PEOPLE AND CARGO MORE SECURELY AND EFFICIENTLY.**

A core objective in establishing the Department was to strengthen the overall security capability of the nation's transit systems and maritime security. Terrorist attacks on international transit and national maritime systems have driven the Department to implement rigorous security measures for the nation's systems. The 2007 President's Budget request includes initiatives that continue to support the objectives of the Aviation and Transportation Security Act, which was enacted to strengthen the transportation system and ensure the freedom of movement for people and commerce, by securing America's transit system from terrorists, criminal threats and attack; and the Maritime Transportation Security Act (MTSA) of 2002, which was enacted to secure U.S. ports and waterways from a terrorist attack.

A total of \$4.7 billion is requested to support TSA's Aviation Security efforts. Of this amount, \$692 million will continue support the deployment and maintenance of Explosive Detection and Electronic Trace Detection Systems which provide a higher probability to detect a wider range of explosives, and are critical to finding threats in transportation venues and eliminating their destructiveness.

The Budget also seeks resources for the Domestic Nuclear Detection Office (DNDO) to support next generation technology to secure our transportation system. For example, a total of \$30.3 million is requested to fund the Cargo Advanced Automated Radiography Systems (CAARS) Development initiative. The DNDO will execute the program developing advanced active-imaging radiography systems for cargo inspection at the Nation's ports of entry. The CAARS program will significantly improve throughput rates of imaging systems specifically designed to identify concealed nuclear materials threats. It will eliminate the need for operator interpretation of radiographic images, and reduce overall inspection time from over five minutes to approximately thirty seconds.

Funding of \$157 million for the Radiation Portal Monitor Acquisition initiative will secure next-generation passive detection portals for deployment at official ports-of-entry to expose attempts to import, assemble, or transport a nuclear explosive device, fissile material, or radiological material concealed within cargo or conveyances and intended for illicit use. Consistent with the global nuclear detection architecture, the deployment strategy will be mutually developed by the DNDO and CBP.

For the U.S. Coast Guard, the President's FY 2007 Budget requests a total of \$934.4 million for the Coast Guard's Integrated Deepwater System (IDS), which is \$10.7 million above the FY 2006 funding level. The Deepwater funding will continue the IDS acquisition of: the fourth national security Cutter (High Endurance Cutter replacement); the first Fast Response Cutter (Patrol Boat replacement); and additional Maritime Patrol Aircraft (MPA). In addition, it will establish a second MPA-equipped air station; complete the re-engineering of the HH-65 helicopter, and significantly enhance legacy fixed and rotary wing aircraft capabilities. IDS Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) upgrades to the USCG cutters, boats and aircraft will enhance maritime domain awareness and are critical to the achievement of an integrated, interoperable border and port security system.

The President's 2007 Budget also proposes to replace the two-tiered aviation passenger fee with a single, flat security fee of \$5.00 for a one-way trip with no change in the overall fee that may be charged on a one-way ticket. This is consistent with the screening process whereby you only pass through security once. The Budget also proposes to collect \$644 million in air carrier fees (\$448 million for FY 2007 plus \$196 million owed from FYs 2005 and 2006). This is based on a General Accountability Office (GAO) estimate of what is reasonable.

Finally, the Department seeks a total of \$4.8 million for the Coast Guard's Maritime Security Response Teams (MSRT). Established to deter, protect against and rapidly respond to threats of maritime terrorism, the MSRT initiative expands upon the prototype Enhanced Maritime Safety and Security Team that was established by re-allocating base resources in FY 2006. The teams will be capable of maintaining around-the-clock response readiness in the event of domestic maritime terrorism incidents.

#### **ENHANCE INFORMATION SHARING WITH OUR PARTNERS**

The ability to share information with state and local partners, the private sector, law enforcement, and first responders is critical to the Department's success, and promotes greater situational awareness. DHS is prepared to enhance and maintain interoperability for information sharing purposes to ensure a seamless capacity to share information during national emergencies and to execute its daily mission of detecting and preventing potential terrorist activity.

In support of this effort the Budget includes an increase of \$45.7 million, 18.1% over FY 2006 funding, for activities of the Analysis and Operations Account to fund the Office of Intelligence and Analysis (I&A) and the Directorate of Operations. I&A leads the Department's intelligence and information gathering and sharing capabilities by ensuring that information is collected from relevant field operations and critical participants in the intelligence community; analyzed with a mission-oriented focus; and disseminated to the appropriate federal, state, local, and private sector partners.

The Directorate of Operations distributes threat information ensuring operational coordination Department wide; coordinates incident management activities; uses all resources within the Department to translate intelligence and policy into immediate action; and provides oversight of the Homeland Security Operations Center, the Nation's nerve center for information sharing and domestic incident management on a 24/7/365 basis.

To support the Infrastructure Transformation Program (ITP), the Budget proposes an increase of \$36.3 million. This increase will provide a highly reliable, secure, and survivable network infrastructure and data center environment to improve information sharing, more effectively securing the homeland while reducing redundant investments. ITP will integrate the IT infrastructures of the 22 legacy components of the Department into "One Infrastructure" which includes the creation of one secure network; the establishment of common and reliable email communication; the restructuring of helpdesks and related services; the reduction in number and transformation of the data centers; the standardization and modernization of the desktop workstation and site services environment; and voice, video and wireless infrastructure modernization.

The Budget also includes an increase of \$9 million for Data Center Development. The Department will continue the integration of its IT infrastructure “Dual Active/Active Data Centers” that provide a foundation for information sharing and agile responses to threats against the homeland. The Data Center Development activity plays a central role within the ITP, supporting the Department’s strategic planning priority of “Stronger Information Sharing and Infrastructure Protection.”

#### **STRENGTHEN THE DHS ORGANIZATION TO MAXIMIZE MISSION PERFORMANCE**

Sound financial management of the nation’s resources is critical to maximizing mission performance for the Department. The President’s Budget aligns the Department’s request according to a risk-based allocation method, channeling the nation’s resources into the areas that will most effectively accomplish the mission of the Department. Successful mission performance is driven by developing human capital, executing efficient procurement operations, and possessing state-of-the-art information technology resources.

A key enhancement to the Budget includes an increase of \$12.6 million to improve financial management department-wide. This includes funding to improve DHS’ internal controls over financial reporting, as required by Public Law 108-330, the *Department of Homeland Security Financial Accountability Act*; analyze opportunities for further functional consolidation of segments of Departmental financial management; support the Department’s plan to achieve an unqualified audit opinion with no material weaknesses; produce financial data that is timely, reliable, and useful for decision-makers in their mission to properly allocate resources to protect the nation; and help protect against waste, fraud, and abuse.

A total of \$18 Million is requested for the eMerge2 (electronically Managing enterprise resources for government efficiency and effectiveness) program. eMerge2 will continue to consolidate accounting providers and systems in the Department by matching components positioned to become service providers with those in need of new systems. eMerge2 will invest in system enhancements, integrate systems, and build tools to consolidate financial data, ensure accountability, and provide timely, reliable information for decision making.

In addition, we propose an increase of \$41.8 million for the Office of the Chief Human Capital Officer to continue implementation of the Human Resources System Initiative - MAX<sup>HR</sup>, a market and performance-based compensation system that rewards employees for their contributions to the mission of the Department, not longevity.

The Department has identified organizational performance deficiencies in the current procurement process and will implement comprehensive modifications to prevent fraud and misuse; and ensure effective delivery of services and proper procurement and contracting procedures. For this effort, we propose an increase of \$27 million throughout the Department to improve acquisition operations.

Finally, the Office of Policy requests an increase of \$8.1 million to provide funding to support DHS participation on the Committee on Foreign Owned Investments in the U.S. under the Policy

office; expand duties of the International Affairs office; enhance capabilities of the Homeland Security Advisory Committee (HSAC) to work with private sector stakeholders; and increase efforts to oversee immigration and border security related initiatives.

### **Conclusion**

The FY 2007 budget proposal reflects this Administration's ongoing commitment to protecting the homeland and the American people while ensuring the Department has the resources we need to achieve our critical mission. The budget builds upon past success and accomplishments, reflects risk-based, outcome-driven priorities, and supports the key imperatives under our Second Stage Review.

We will continue to work with Congress to ensure that our short and long term priorities are adequately funded – including border security, preparedness, strengthening FEMA, and enhancing chemical security. I look forward to continuing our partnership with you to ensure funding priorities are met so that we can continue to protect the homeland and the American people.

Thank you for inviting me to appear before you today. I look forward to answering your questions and to working with you on the FY 2007 budget and other issues.